

Case study 6

Chapter 15: Organisational and corporate cultures (HL only)

(Chapter 7: Growth and evolution)

Sprint and Nextel

In 2005 two massive communication companies, Sprint and Nextel, merged into a \$35bn entity. The companies hoped that by combining their expertise at two opposite ends of the communications market, they could benefit from a synergetic relationship, leading the way to magnified market dominance and amplified profits.

Sprint was well known in the personal cellphone and home service market. Nextel was involved in the commercial end of the market, selling to businesses for infrastructure and transportation applications.

The merger presented problems, however. Differences in corporate culture caused significant numbers of Nextel management to resign. By 2007, when the recession hit, customers began to turn to competitors AT&T, Verizon and iPhone. Sprint/Nextel began a series of redundancies in order to cut costs. Share prices fell. The merger may be considered by some people as having been unsuccessful.

HL questions: 25 marks, 45 minutes

- 1 Define the term 'merger'. (2)
- 2 Explain the possible problems of combining the corporate cultures of two big corporations like Sprint and Nextel. (6)
- 3 Evaluate the policy of growth achieved through large corporate mergers such as that of Sprint and Nextel, excluding further reference to issues relating to corporate culture. (9)
- 4 Evaluate how Sprint/Nextel could have better achieved effective cultural change when they merged. (8)